

## Norman Real

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**From:** Norman Real  
**Sent:** Monday, March 12, 2018 8:30 AM  
**To:**  
**Cc:**  
**Subject:** (opinion request apparently)  
**Attachments:** 20180312083225495.pdf

Ms. ,

The Idaho Department of Finance (The "Department") is in receipt of your letter dated February 26, 2018. In the correspondence, you request guidance regarding business model with respect to compliance with the Idaho Money Transmitter Act.

Please find attached the Department's response to your correspondence. Feel free to contact me if you have any questions.

Best Regards,



Norman Real, Financial Examiner/Investigator  
Idaho Department of Finance  
P.O. Box 83720  
Boise, ID 83720-0031  
(208) 332-8082  
Email; [norman.real@finance.idaho.gov](mailto:norman.real@finance.idaho.gov)

**From:** Mike Larsen  
**Sent:** Tuesday, February 27, 2018 8:54 AM  
**To:** Jim Burns <[jim.burns@finance.idaho.gov](mailto:jim.burns@finance.idaho.gov)>  
**Cc:** Gavin Gee <[gavin.gee@finance.idaho.gov](mailto:gavin.gee@finance.idaho.gov)>  
**Subject:** FW: Acquisition of

Jim:

This came to me from , when it rightfully should have been directed to you. As you can see, Gavin also received a copy of the email and attached letter.

Thanks.

Mike

**From:** [mailto: ]  
**Sent:** Tuesday, February 27, 2018 8:51 AM  
**To:** Gavin Gee <[gavin.gee@finance.idaho.gov](mailto:gavin.gee@finance.idaho.gov)>; Mike Larsen <[mike.larsen@finance.idaho.gov](mailto:mike.larsen@finance.idaho.gov)>  
**Cc:**  
**Subject:** Acquisition of

Mr. Gee and Mr. Larsen,

Please find attached a letter sent yesterday on behalf of \_\_\_\_\_ ("\_\_\_\_") and its subsidiaries, \_\_\_\_\_ ("\_\_\_\_"), a licensed money transmitter in the state of Idaho, and \_\_\_\_\_ ("\_\_\_\_"), and together with \_\_\_\_\_ and \_\_\_\_\_, the \_\_\_\_\_ ("\_\_\_\_"), regarding the recent acquisition of \_\_\_\_\_ ("\_\_\_\_") by \_\_\_\_\_. Following the acquisition, \_\_\_\_\_ is now a wholly-owned, direct subsidiary of \_\_\_\_\_, a wholly-owned indirect subsidiary of \_\_\_\_\_, and an affiliate of \_\_\_\_\_.

\_\_\_\_\_ offers a suite of services that allows customers to engage in certain types of transactions involving virtual currency. \_\_\_\_\_ only permits the trading of virtual currencies on its platform, and does not permit trading in, or allow deposits or withdrawals of, fiat currency. As detailed in the attached letter, the \_\_\_\_\_ plans to maintain \_\_\_\_\_ as an independent subsidiary, such that the operations of \_\_\_\_\_ will be separate from those of \_\_\_\_\_. The \_\_\_\_\_ is committed, however, to ensuring that \_\_\_\_\_ is operating in compliance with applicable laws and regulations in each jurisdiction where \_\_\_\_\_ offers its services.

Accordingly, we respectfully request your confirmation as to whether the services offered by \_\_\_\_\_, and described in the attached document, would fall within the purview of the Idaho Money Transmitters Act, such that \_\_\_\_\_ should pursue licensure in your state. We thank you in advance for your time and guidance here, and would welcome the opportunity to meet with you, in person or by telephone, to discuss this matter further and answer any questions you might have.

Best regards,

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This message is sent by a law firm and may contain information that is privileged or confidential. If you received this transmission in error, please notify the sender by reply e-mail and delete the message and any attachments.

For additional information, please visit our website at \_\_\_\_\_



# IDAHO

DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER  
Governor

GAVIN M. GEE  
Director

March 12, 2018

Re: Idaho Money Transmitter License Inquiry -

Dear Mr. \_\_\_\_\_ :

The Idaho Department of Finance (The "Department") is in receipt of your letter dated February 26, 2018. In the correspondence, you request guidance regarding \_\_\_\_\_ ("\_\_\_\_\_") business model with respect to compliance with the Idaho Money Transmitter Act.

According to \_\_\_\_\_ business description, \_\_\_\_\_ is a \_\_\_\_\_ that operates a Digital Currency exchange/trade platform. The exchange/trade platform provides Users<sup>1</sup> with the capability to trade one type of digital asset<sup>2</sup> for another or transfer the digital assets to a margin trade account<sup>3</sup> and/or lending account<sup>4</sup> held at \_\_\_\_\_. \_\_\_\_\_ business description states that the exchange/trade platform does not permit trading in, or allow deposits of, fiat currency; the result of these restrictions is that a User can only fund an exchange account with digital assets that the User already holds in another digital asset wallet. Additionally, Users may withdraw their digital asset balance from the exchange account at any time by providing the address of another digital asset wallet owned by the User, and directing \_\_\_\_\_ to transfer all or part of the User's digital asset holdings to such wallet.

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<sup>1</sup> As defined by the \_\_\_\_\_ business description, Users are customers who have registered to use the exchange/trade platform.

<sup>2</sup> As defined by the \_\_\_\_\_ Business Description. Digital assets are often referred to as "virtual currency," "crypto currency," or "digital currency".

<sup>3</sup> According to \_\_\_\_\_ business description, a margin trade account is used to hold digital assets as collateral to secure loans used for margin trades.

<sup>4</sup> According to \_\_\_\_\_ business description, a lending account is used to hold digital assets that can be lent by a lender to a margin trader for a period of time in exchange for interest.

**SECURITIES BUREAU**

800 Park Boulevard, Suite 200, Boise, ID 83712

Mail To: P.O. Box 83720, Boise ID 83720-0031

Phone: (208) 332-8004 Fax: (208) 332-8099

<http://www.finance.idaho.gov>

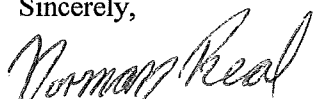
March 9, 2018

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It is the Department's view that \_\_\_\_\_ business model does not constitute money transition and as such, the activity does not require licensure under the Idaho Money Transmitter Act.<sup>5</sup> This opinion is based on the following representations; 1) \_\_\_\_\_ does not permit trading in, or allow deposits of, fiat currency, 2) all exchange margin trading and/or lending is strictly limited to digital assets and 3) digital assets cannot be withdrawn or exchanged for fiat currency.

Should \_\_\_\_\_ business activities deviate from the facts outlined in the \_\_\_\_\_ business description, it is possible that the Department would take a different position than the one noted in this letter. If you have any questions or comments on this matter, please contact the undersigned at [norman.real@finance.idaho.gov](mailto:norman.real@finance.idaho.gov).

Sincerely,



Norman Real

Financial Examiner / Investigator

Idaho Department of Finance

Securities Bureau

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<sup>5</sup> This decision is based solely on the unique circumstances of the activity described and is not intended to service as precedent for any other money transmitter or applicant. This letter should not be construed as a finding that licensure is not required in other jurisdictions where other Users may reside.

February 26, 2018

**CONFIDENTIAL  
VIA OVERNIGHT COURIER AND EMAIL**

Mr. Gavin M. Gee  
Director  
Idaho Department of Finance  
800 Park Boulevard, Suite 200  
Boise, Idaho 83712

Re: Acquisition of

Dear Mr. Gee:

On behalf of [redacted], an [redacted] (" [redacted]"), and its subsidiary, [redacted] (" [redacted]"), we wish to notify the Idaho Department of Finance (the "Department") about the recent acquisition of [redacted] (" [redacted]"), by [redacted] (the "Acquisition"). Following the Acquisition, [redacted] is a wholly-owned, direct subsidiary of [redacted], and a wholly-owned, indirect subsidiary of [redacted].

[redacted] offers a suite of services that allows customers to engage in certain types of transactions involving virtual currency. [redacted] only permits the trading of virtual currencies on its platform, and does not permit trading in, or allow deposits or withdrawals of, fiat currency.

As the Department is aware, [redacted], a Delaware corporation (" [redacted]"), and together with other subsidiaries of [redacted], the " [redacted]"), is a wholly-owned subsidiary of [redacted] and holds a money transmitter license, or the statutory equivalent, in the state of Idaho (Money Transmitter License # [redacted]). The [redacted] plans to maintain [redacted] as an independent subsidiary, such that the operations of [redacted] will be separate from those of [redacted]. The [redacted] is committed, however, to ensuring that [redacted] is operating in compliance with applicable laws and regulations in each jurisdiction in which [redacted] offers its services. In doing so, the [redacted] intends to bring substantial resources and its regulatory experience to bear in its management of [redacted].

Confidential Exhibit 1 to this letter sets forth additional information regarding the structure and purpose of the Acquisition, as well as the pre- and post-Acquisition corporate structure charts. Confidential Exhibit 2 sets forth additional information regarding the services offered by [redacted].

By this letter, we respectfully request the Department's confirmation as to whether the services offered by [redacted] fall within the purview of the Idaho Money Transmitters Act (the "Act"), such that [redacted] should pursue licensure under the Act. We would welcome the opportunity to meet with the Department, in person or by telephone, to discuss this matter further and answer any questions that you may have.

Mr. Gavin Gee  
February 26, 2018  
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\* \* \*

We respectfully request confidential treatment for the information set forth in this letter and the information and materials contained in the Confidential Exhibits pursuant to § 26-2916(1) of the Idaho Money Transmitters Act, which provides that "[a]ll information or reports obtained by the director from an applicant, licensee or authorized representative, whether obtained through reports, applications, examinations, audits, investigation, or otherwise . . . are confidential trade secrets and may not be disclosed or distributed outside the department."

If, notwithstanding the foregoing, you should decide to make any of this information available to the public, please inform the undersigned prior to doing so.

\* \* \*

We sincerely appreciate your time and consideration with respect to this matter. Should you have any questions or require any additional information, please do not hesitate to contact me at

Sincerely,

cc: Mr. Mike Larsen, Idaho Department of Finance, *via email*

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LEGAL\_US\_E # 133416577.1